

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Public Inquiry on the Methodology to
Estimate the Value of the Postal Service
Letter and Mailbox Monopolies

Docket No. PI2020-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-4 OF CHAIRMAN'S INFORMATION REQUEST NO. 4**
(May 11, 2020)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 4, issued April 27, 2020. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1. In its Response to CHIR No. 3, the Postal Service states that it “could provide an annual [Rural Mail Count (RMC)] RMC dataset for use in the postal monopoly valuation model. The updated RMC dataset should hopefully be available by the end of the second quarter of each fiscal year.”¹ Please provide a status report and potential schedule as to the availability of the updated RMC dataset.²

RESPONSE:

The updated RMC dataset is being provided under seal as part of USPS-PI2020-1-NP3. The dataset contains additional variables that warrant further description. One, it includes a new variable named SPECIAL_COUNT that identifies rural routes that have conducted rural mail counts after the March 2018 Rural Mail Count (RMC). Two, it includes a variable named del_ZIP which is populated for routes where it could be established that the route delivers exclusively to one 5-digit ZIP Code, otherwise the variable has the null value. Finally, the dataset includes three new variables named ZIP3_1, ZIP3_2, and ZIP3_3 that indicate the 3-digit ZIP Code(s) serviced by each route. For the 77,076 routes (over 99 percent) that deliver exclusively to one 3-digit ZIP Code, the ZIP3_1 variable is populated with the exclusive 3-digit ZIP serviced by the route, while the ZIP3_2 and ZIP3_3 variables have the null value. For the remaining 604 routes that deliver to multiple 3-digit ZIP Codes, the variables ZIP3_1, ZIP3_2, and

¹ Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 3, March 19, 2020, question 2 (Response to CHIR No. 3).

² The updated RMC dataset includes rural mail counts conducted after the March 2018 RMC provided in Docket No. ACR2018, Library Reference USPS-FY18-40, December 28, 2018, DATA file “FY2018.March.RMCFlat.DATA.” Rural routes established after February 2018 are not included in the March 2018 RMC. Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-41 of Chairman's Information Request No. 4, January 24, 2020, question 21.

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ZIP3_3 are populated with the appropriate different 3-digit ZIP Codes serviced by the route.

The Postal Service interpreted the portion of the ChIR No. 3 question that requested a potential schedule to be referring to providing an updated RMC dataset on an annual basis in the future. After investigating and assessing the workload involved, the Postal Service is confident that an updated RMC dataset could be provided annually within approximately 90 days after the latest RMC dataset is filed annually with the ACR in folder 40, which, as a practical matter, is equivalent to the end of the second quarter of the fiscal year.

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2. In its Response to CHIR No. 3, the Postal Service states that “[b]ecause [the Rural Carrier Cost System (RCCS)] RCCS-Digital was not in operation during FY 2018, there is no RCCS digital dataset available... .”³ Please refer to Table 1 below showing the number of “TESTID”s (or sampled ZIP Code-days) by fiscal year quarter in the RCCS digital file provided in Docket No. ACR2018 and Docket No. ACR2019.⁴

**Table 1
RCCS Digital Sample TESTIDs (ZIP Code-Days) by
Fiscal Year 2018 and 2019 Quarter**

| Fiscal Year | Quarter 1 (October-December) | Quarter 2 (January-March) | Quarter 3 (April-June) | Quarter 4 (July-September) |
|-------------|---------------------------------|------------------------------|---------------------------|-------------------------------|
| 2018 | 5,588 | 5,705 | 5,763 | 4,987 |
| 2019 | 5,508 | 5,665 | 5,634 | 5,656 |

Source: Commission analysis of Docket No. ACR2018, Library Reference USPS-FY18-35, SAS dataset, “rccs_z_acr_fy18_dig_pub_final.sas7bdat,” and Docket No. ACR2019, Library Reference USPS-FY19-35, SAS dataset “rccs_z_acr_dig_public_fy19_final.sas7bdat.”

- a. Please confirm that in Docket No. ACR2018, a full fiscal year in 2018 was sampled for the RCCS digital sample.⁵ If not confirmed, please explain the similar fiscal year quarterly counts between the FY 2019 and FY 2018 “TESTID”s sampled.

³ Response to CHIR No. 3, question 5.f. The Commission approved use of the Origin-Destination Information System – Revenue, Pieces, and Weight digital samples of Delivery Point Sequenced (DPS) mail destined for rural delivery to enhance the estimation of DPS RCCS mail volumes and replace a large portion of manual sampling of DPS letter trays by RCCS data collectors. See Docket No. RM2018-4, Order on Analytical Principles Used in Periodic Reporting (Proposal One), July 13, 2018 (OrderNo.4712).

⁴ Commission analysis of the RCCS digital sample SAS datasets, Docket No. ACR Docket No. ACR2018, Library Reference USPS-FY18-35, December 28, 2018, SAS dataset, “rccs_z_acr_fy18_dig_pub_final.sas7bdat,” (Docket No. ACR2018, Library Reference USPS-FY18-35) and Docket No. ACR2019, Library Reference USPS-FY19-35, December 27, 2019, SAS dataset “rccs_z_acr_dig_public_fy19_final.sas7bdat” (Docket No. ACR2019, Library Reference USPS-FY19-35). Generally, the first digit of the test ID variable indicates the fiscal year quarter. See Docket No. ACR2018, Library Reference USPS-FY18-35, PDF file “USPS-FY18-35_RCCS_Preface.pdf,” at 17 and Docket No. ACR2019, Library Reference USPS-FY19-35, PDF file “USPS-FY19-35_RCCS_Preface.pdf” at 16.

⁵ Each ZIP Code-day is sampled multiple times on the day sampled in the RCCS digital dataset. In the FY 2018 and FY 2019 RCCS digital dataset there are 2,093,397 and 1,999,810 sample records, respectively.

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- b. If the response to a. of this question is confirmed, please provide the information for the FY 2018 RCCS digital data requested in CHIR No. 3.⁶
- c. Please provide the information for the FY 2018 RCCS manual sample data requested in CHIR No. 3.

RESPONSE:

- a. Confirmed.
- b. and c. The requested files are provided under seal in folder USPS-PI2020-1-NP3.

⁶ Chairman's Information Request No. 3, February 18, 2020, question 5.f. (CHIR No. 3). CHIR No. 3, question 5.f. asked the Postal Service to provide the FY 2018 RCCS manual **and** (emphasis added) digital SAS datasets with the same additional variables (including the unencrypted ZIP Code) provided for the CCCS manual and digital SAS datasets. See Library Reference USPS-PI2020-1/1, November 1, 2019, PDF file "PI.2020.1.Cmntns.Fldr1.Preface.pdf," at 2-3.

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3. In its Response to CHIR No. 3, the Postal Service states that it “is unable to supplement the March 2018 RMC dataset, filed in Docket No. ACR2019 in [Library Reference] USPS-FY19-40 with a distinct delivery ZIP for each route.”⁷
- a. For each of the rural routes in the supplemental⁸ March 2018 RMC dataset without a distinct delivery ZIP, please provide the “ZIP 3 Code.”⁹ If the “ZIP 3 Code” is not available for all the rural routes in the March 2018 RMC dataset, please explain why.
 - b. For the updated March 2018 RMC dataset requested in question 1 above, please confirm that the “ZIP 3 Code” will be provided for those routes without a distinct 5-digit delivery ZIP Code. If not confirmed, please explain why.

RESPONSE:

a. The requested supplemental dataset is being provided in USPS-PI2020-1-NP3. The supplemental RMC dataset previously filed in response to ChIR No 3 Question 7 (included in USPS-PI2020/NP2) contained 12,227 routes where a unique 5-digit ZIP Code could not be determined by the Finance Number/Route combination. Rural routes are uniquely identified by the combination of finance number and route number, and can deliver mail to multiple 5-digit and/or 3-digit ZIP Codes. Roughly 99 percent, or 74,563, of the RMC routes deliver to a unique 3-digit ZIP Code, leaving roughly one percent, or 596, of the routes that deliver to more than one 3-digit ZIP Code (e.g., routes that deliver to multiple states). The supplemental RMC dataset filed in

⁷ Response to CHIR No. 3, question 7. The Postal Service explained that some rural routes deliver to more than one delivery ZIP Code. See *id.*

⁸ The Postal Service provided the supplemental March 2018 RMC dataset in Library Reference USPS-PI2020-1/NP2, March 19, 2019.

⁹ See ZIP 3 Code List by Area/District, available at: <https://about.usps.com/what-we-are-doing/service-performance/Zip3ByAreaDistrict.html>.

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conjunction with this response contains three new variables named ZIP3_1, ZIP3_2, and ZIP3_3 that indicate the 3-digit ZIP Code(s) serviced by each route. For the routes that deliver exclusively to one 3-digit ZIP Code, the ZIP3_1 variable is populated by the exclusive 3-digit ZIP serviced by the route, while the ZIP3_2 and ZIP3_3 variables have the null value. For the routes that deliver to multiple 3-digit ZIP Codes, the variables ZIP3_1, ZIP3_2, and ZIP3_3 are populated with the appropriate different 3-digit ZIP Codes serviced by the route.

b. Partially confirmed. The question seems to suggest that each rural route only exclusively services one 3-digit ZIP Code. However, as explained in the response to part a, in rare circumstances, rural routes deliver to multiple 3-digit ZIP Codes. In the updated RMC dataset filed in USPS-PI2020-1-NP3 response to question 1 of the instant ChIR, over 99 percent, or 77,076, of the routes deliver to a unique 3-digit ZIP Code, leaving roughly one percent, or 604, of the routes that deliver to more than one 3-digit ZIP Code. As described in response to question 1 of the instant ChIR, the appropriate 3-digit ZIP Code(s) serviced by each route are populated by the variables ZIP3_1, ZIP3_2, and ZIP3_3 on the updated RMC dataset filed in USPS-PI2020-1-NP3.

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4. In its Response to CHIR No. 1, the Postal Service confirmed that the Delivery Operations Information System (DOIS) delivery point sequence (DPS) volume is available for the same route-days currently sampled in the manual City Carrier Cost System (CCCS).¹⁰ In CHIR No. 3, the Commission requested the DPS volume for each of the route-days in the FY 2018 and FY 2019 manual sample CCCS SAS files. CHIR No. 3, questions 6.a.-6.b. The following questions relate to the data in the Excel files provided along with the Response to CHIR No. 3, questions 6.a.-6.b., in Library Reference USPS-PI2020-1/2.¹¹
- a. Both the FY 2018 and FY 2019 Excel files presumably showing the DPS volume for each of the manual sample CCCS route-days contain no DPS volume for some route days. Please specify whether the blanks or no data in Excel files "ch3Q6_FY2018.xlsx" and "ch33Q6_FY2019.xlsx," column E, labeled "DPS_Volume" in Library Reference USPS-PI2020-1/2 are blank due to no DPS mail delivered on the route on the date sampled, a data error, or both.
 - b. The number of CCCS route-days with DPS volume differs substantially between the FY 2017 CCCS sample and that extracted from Network Operations Data Mart¹² / DOIS for the FY 2018 and FY 2019 CCCS manual sample provided in Response to CHIR No. 3, question 6, Library Reference USPS-PI2020-1/2. For example, in the Docket No. ACR2017, Library Reference USPS-FY17-34, CCCS sample dataset, DPS volume was delivered on 8,324 route-days out of the 8,355 route-days sampled in FY 2017.¹³ The extracted DPS volume for the FY 2018 CCCS manual route-days provided with the Response to CHIR No. 3, question 6, Excel file includes only 4,573 route-days (47 are blank in the DPS volume

¹⁰ Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 1, October 17, 2019, question 5 (Response to CHIR No. 1). Under the current postal monopoly model methodology, the CCCS route-days are evaluated to determine whether the entrant can profitably deliver the contestable volumes on the city route. Postal Regulatory Commission *Report on Universal Postal Service and the Postal Monopoly*, December 19, 2008 (Report). See Report, folder "Appendices.zip," folder "USO Appendices," PDF file "Appendix F Section 4.pdf," *Quantitative Analysis of the Value of the Postal and Mailbox Monopolies*, Robert H. Cohen, at 9, available at: https://www.prc.gov/prc-reports?keys=USO&field_report_type_value=All&=Apply.

¹¹ See Library Reference USPS-PI2020-1/2, March 19, 2020, folder "Responses to CHIR No.3," folder "PI2020-1_2.CHIR.3.Public.Files," folder "USPS_PI2020-1_2," folder "Q6," Excel files "ch3Q6_FY2018.xlsx," and "ch33Q6_FY2019.xlsx."

¹² See Response to CHIR No. 1, questions 4, 5.

¹³ Commission analysis of Docket No. ACR2017, Library Reference USPS-FY17-34, December 29, 2017, folder "USPS-FY17-34_CCCS," SAS dataset "cccs_z_acr_public_fy17_final.sas7bdat."

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column) and the FY 2019 Excel file includes only 522 route-days (8 are blank in the DPS volume column).¹⁴

- i. In Docket No. ACR2018, Library Reference USPS-FY18-34, the CCCS manual sample dataset contains 8,326 route-days (636 route-days also have manually sampled DPS volume as the route ZIP Code is not in the CCCS digital sample frame).¹⁵ Please either file a revised FY 2018 Excel file with the extracted DPS volume for each of those CCCS route-days that were digitally sampled or explain why there are only about 4,600 route-days listed in the FY 2018 Excel file provided in Library Reference USPS-PI2020-1/2 with the Response to CHIR No. 3, question 6.¹⁶
 - (1) Please specify (if a revised FY 2018 file is provided) for each blank in the DPS volume field, whether the field is blank due to a data error or due to no DPS volume delivered on that route-day.
 - (2) If a revised FY 2018 file is provided and the number of route-days does not total (when combined with the route-days with DPS volume manually sampled) to the number of CCCS route-days manually sampled in the Docket ACR2018, Library Reference USPS-FY18-34, CCCS manual SAS dataset, please explain the reason(s) why.
- ii. In Docket No. ACR2019, Library Reference USPS-FY19-34, the CCCS manual sample dataset contains 8,317 route-days (505 route-days also have manually sampled DPS volume as the route ZIP Code is not in the CCCS digital sample frame).¹⁷ Please either file a revised FY 2019 Excel file with the extracted DPS volume for those route-days that were digitally sampled or explain why there are only about 500 route-days listed in the FY 2019 Excel file

¹⁴ See Library Reference USPS-PI2020-1/2, folder "Responses to CHIR No.3," folder "PI2020-1_2.CHIR.3.Public.Files," folder "USPS_PI2020-1_2," folder "Q6," Excel files "ch3Q6_FY2018.xlsx," and "ch33Q6_FY2019.xlsx."

¹⁵ Commission analysis of Docket No. ACR2018, Library Reference USPS-FY18-34, December 28, 2018, folder "USPS-FY18-34_CCCS," SAS dataset "cccs_z_acr_public_fy18_final.sas7bdat."

¹⁶ See Library Reference USPS-PI2020-1/2, folder "Responses to CHIR No.3," folder "PI2020-1_2.CHIR.3.Public.Files," folder "USPS_PI2020-1_2," folder "Q6," Excel file "ch3Q6_FY2018.xlsx."

¹⁷ Commission analysis of Docket No. ACR2019, Library Reference USPS-FY19-34, December 27, 2019, folder "USPS-FY19-34_CCCS.Files," SAS dataset "cccs_z_acr_public_fy19_final.sas7bdat."

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provided in Library Reference USPS-PI2020-1/2 with the Response to CHIR No. 3, question 6.¹⁸

- (1) Please specify (if a revised FY 2019 file is provided) for each blank in the DPS volume field, whether the field is blank due to a data error or due to no DPS volume delivered on that route-day.
- (2) If a revised FY 2019 file is provided and the number of route-days does not total (when combined with the route-days with DPS volume manually sampled) to the number of CCCS route-days manually sampled in the Docket ACR2019, Library Reference USPS-FY19-34, CCCS manual dataset SAS file, please explain the reason(s) why.

RESPONSE:

End-of Run (EOR) counts from the DBCS sorters are compiled and transmitted to DOIS. The same data are also transmitted to the EDW partition for Network Operations Data Mart (NODM). Note that CCCS-Digital now obtains EOR data from EDW/NODM, rather than from DOIS. This was done in conjunction with the introduction of RCCS-Digital, which had to obtain EOR data from EDW/NODM, not from DOIS. The response filed provides data from EDW/NODM, not DOIS.

- a. Data may not be available in NODM for a particular route day if there was no DPS volume that route day, the volume was sorted to the wrong route number, the volume was sorted on a different MODS day, or a data error occurred. In 2018 and 2019 combined, there are 142 (0.85 percent) sample route days

¹⁸ See Library Reference USPS-PI2020-1/2, folder "Responses to CHIR No.3," folder "PI2020-1_2.CHIR.3.Public.Files," folder "USPS_PI2020-1_2," folder "Q6," Excel file "ch33Q6_FY2019.xlsx."

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missing data in NODM, out of 16,643 total sample route days. Out of the 142 route days missing data in NODM, 78 (55 percent) route days also have no volume data in DOIS; these are routes where presumably no DPS mail is delivered. CCCS-Digital utilizes ZIP day (not route day) volumes from NODM for estimation.

b. i. A revised file is being provided under seal in USPS-PI2020-1-NP3.

(1) Please see the response to question 4a.

(2) The number of route-days does total to the number of CCCS route-days manually sampled in the Docket ACR2018, USPS-FY18-34, CCCS manual SAS dataset.

ii. A revised file is being provided under seal in USPS-PI-2020-1-NP3.

(1) Please see the response to question 4a.

(2) The number of route-days does total to the number of CCCS route-days manually sampled in the Docket ACR2019, USPS-FY19-34, CCCS manual SAS dataset.